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TAGS: [ECON](#) [EFIN](#) [PGOV](#) [PREL](#) [SU](#)
SUBJECT: DEBT RELIEF IS KEY TO SUDAN'S ECONOMIC
DEVELOPMENT, FINANCE MINISTER ALJAZ TELLS SE GRATION

Classified By: A/CDA Mark L. Asquino, for reasons 1.4 (b) and (d)

1. (C) Summary: The lack of access to debt relief is the primary constraint on Sudan's economic development, Minister of Finance and regime hard-liner Dr. Awad Aljaz told U.S. Special Envoy to Sudan (SE) General Scott Gration on December 14. He asserted that the USG was blocking Sudan's access to debt relief for "political reasons," despite Sudan having met all technical benchmarks set by the IMF. State Minister of Finance Dr. Luol Deng concurred, noting that lack of access to debt relief was hindering development in the South as well as the North. It is an issue on which the NCP and SPLM are in "full agreement," Deng added. End Summary.

2. (C) Aljaz stated that the GOS was committed to peaceful resolution of Sudan's political problems so it could focus on economic development, citing its signing of the Comprehensive Peace Agreement (CPA) in 2005, the Eastern Sudan Peace Agreement (ESPA) in 2006 and the Darfur Peace Agreement (DPA) in 2006 as evidence. In his view, it was the international community that had failed to live up to its promises to provide donor assistance to reconstruct war-torn and marginalized areas. "We feel that the problems (of underdevelopment) have been created by your side," he said.

3. (C) Aljaz continued that despite U.S. sanctions (an issue on which he has long professed frustration and bafflement,) Sudan's economy has continued to perform well. But he lamented that economic development is being hampered by a lack of access to debt relief. The GOS has met all of the IMF's technical benchmarks and requirements, he asserted, and characterized the IMF's refusal to provide debt relief to Sudan as politically-motivated. "The key is in the hands of the United States," he said, and urged that the USG lift its political opposition to IMF action.

4. (C) State Minister of Finance, Dr. Luol Deng of the SPLM, added that there is "full agreement (between the NCP and SPLM) on the issue of debt relief," which he characterized as a constraining factor for economic development in both the North and South. Most of the debt, 87 percent of which is arrears he noted, was acquired during the Nimeiri military regime. He added that financial institutions and others bear some responsibility for lending to a non-democratic government with no transparency or accountability.

5. (C) Aljaz and Deng noted they would be traveling to Washington in January for consultations with the IMF and possibly, the World Bank. They urged SE Gration to facilitate meetings with the Department of the Treasury's Offices for Debt Relief and of Foreign Assets Control (OFAC) and within the Department of State, so that they could make their case. Aljaz emphasized that debt relief is the only way the Government of National Unity (GNU) can obtain investment funds necessary to rehabilitate its aging infrastructure and utilize its copious natural resources to their full potential.

6. (C) With regard to the Wealth Sharing provisions of the CPA, Aljaz insisted that the South has received "every single penny" it was entitled to in accordance with the agreement. The SPLM's Deng said that he agreed. SE Gration noted that an audit of the petroleum sector as agreed upon at the June 2009 trilateral talks in Washington is central, and would go a long way towards addressing concerns about transparency among the international community.

17. (C) SE Gration also said that while Aljaz pointed to a perceived series of broken promises by the USG, the same could be said of the GOS, especially in its inability (or unwillingness) to resolve the crisis in Darfur, a crisis which Aljaz blamed on unnamed "outside actors." SE noted that the best way to rebuild trust between the two sides was by achieving tangible progress in issues of mutual concern. "You are the superpower," replied Aljaz, adding. "I am quitesure you can take action quicker than I."

18. (C) Comment: The capable and cynical Aljaz is one of the original NIF hard-liners, and ranks among the closest advisors to President Bashir. His perpetual inclination to blame the international community--and in particular the United States--for Sudan's woes underscores how hard-line, regime insiders continue to refuse to acknowledge any shortcomings in their dealings with the U.S. and the international community. On the issue of debt relief, any "quick fix" that Aljaz may be hoping for is a non-starter;

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the State Sponsor of Terrorism designation, among other things, would make it impossible for the USG to vote in favor of Sudan in the international financial institutions. End comment.

19. (C) This cable was cleared by SE Gration before his departure.
ASQUINO